



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 411** HLS 14RS 990
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: March 24, 2014 6:31 PM	Author: CROMER
Dept./Agy.: La Dept of Insurance/La Dept of the Treasury	
Subject: Unclaimed life insurance benefits	Analyst: Alan M. Boxberger

INSURANCE/LIFE OR SEE FISC NOTE GF RV Page 1 of 1
Provides relative to unclaimed life insurance benefits

Proposed law requires a life insurer to periodically compare its in-force life insurance policies, annuities, and retained asset accounts issued in Louisiana against a Death Master File to identify possible matches. Proposed law requires a life insurer, within 90 days of learning of a possible match, to determine if benefits may be due and pay the benefits and any accrued contractual interest to the designated beneficiaries or owners. Proposed law allows a life insurer who is unable to find the designated beneficiaries or owners to remit the benefits to the state treasurer through the provisions of the Uniform Disposition of Unclaimed Property Act, R.S. 9:151, et. seq.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The only state cost expenditure resulting from proposed law will be that associated with rule promulgation by the Louisiana Department of Insurance. This activity is a regular part of LDI operations, is insignificant and can be considered part of LDI’s base budget appropriation requiring no additional funds.

REVENUE EXPLANATION

Proposed law may result in a significant, but indeterminable decrease in SGF revenues associated with the remittance of unclaimed life insurance benefits to the state’s unclaimed property program. The proposed law requires life insurers to periodically check in-force life insurance policies against a Death Master File (DMF) from the U.S. Social Security Administration or any other database or service that is at least as inclusive as the DMF for determining that a person has reportedly died. Upon identifying a potential death match, the insurer must within 90 days complete a good faith effort to confirm the death, review its records to determine any applicable products purchased by the individual, determine what benefits are due, and provide beneficiaries with necessary information to file a claim. In the event an insurer is unable to contact or identify the designated beneficiary or owner, the benefits shall escheat to the state as unclaimed property pursuant to the provisions of the Uniform Disposition of Unclaimed Property Act, R.S. 9:151, et. seq. Interest payable pursuant to R.S. 22:908 shall not be considered as unclaimed property.

Proposed law states that an insurer that has not engaged in asymmetric conduct prior to August 1, 2014, shall not be required to comply with the requirements enumerated above with respect to policies, annuities or retained asset accounts issued prior to August 1, 2014.

The La. Department of Treasury (Treasury) reports that proposed law could result in a significant impact on revenue collections associated with the Unclaimed Property Program. Companies exempted from complying with the proposed law (i.e. those that did not engage in asymmetric conduct prior to August 1, 2014, and those that did not check the DMF for any in-force products), may interpret this exemption as authorization to cease these activities in the future for accounts issued prior to August 1, 2014. The Treasury is currently participating in a multi-state audit of several major life insurance companies that have signed agreements allowing use of the DMF for the scope of the audit. These efforts have generated approximately \$20.6 M in revenue since 2011, and the contract auditors estimate significant future revenue collections from this ongoing effort. The Treasury believes the exemption for products issued prior to August 1, 2014, may complicate or possibly jeopardize these ongoing collection efforts.

NOTE: Of the annual net collections of the Unclaimed Property program (\$53.3 million in FY13), \$15 million is pledged annually to service the bonds associated with Interstate 49 North and South. The balance (\$38.3 million in FY13) flows to the state general fund each year.

The LFO is unable to estimate the number of exempted companies that may elect to not engage in DMF reconciliation as suggested by the Treasury. To the degree that such practice occurs, the state may realize a reduction in SGF revenues.

Senate	Dual Referral Rules	House	☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 Gregory V. Albrecht Chief Economist
☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		☒ 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}		
☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		